



**MICHAEL J. MURPHY**  
*State Treasurer*

Fall 2005

# The LOCAL View

Local Option Capital Asset Lending

## Debt: Keep it simple with LOCAL

by **Michael J. Murphy**  
Washington State Treasurer

Regarding debt, there are two questions much in the air recently: 1, How much is too much? And 2, What is the "debt limit"?

There is only one real answer, expressed different ways, for both questions. 1, Debt is too much if you can't pay it back. 2, The debt limit is your ability to pay it back.

Simple.

Recently, a high-profile transit project in Seattle caught our attention with its "elevated" plan for paying back \$2 billion in construction costs (not to name names). In our opinion, and the opinion of many citizens, the project financing was *not* simple: too complicated and too costly over too many years.

What does all this mean for other local governments seeking to make a responsible use of debt?

Every public entity (and there are a lot of you) has some capacity for debt, and every type of entity is different in terms of the laws authorizing its limits. Schools, for the most part, go to the voters for approval of bonds. Why? Because their non-voted debt capacity is insufficient to cover the costs of school buildings and transportation systems.

General obligation debt (the pledge of the full faith and credit) of a public entity is paid back from general revenues. Revenue bonds (like

the bonds the folks with the above-mentioned transit agency wanted to issue) are dependent on a specific tax source.

In technical terms, the state debt limit is about 7 percent of the three-year mean of general state revenues (the constitutional limit is 9 percent). For local governments, the debt limit is based on a percentage of assessed property valuations, which generally speaking is 5 percent on down depending on what kind of entity you are.

In non-technical terms, the debt limit is what you can afford.

For people who say all debt is bad, we like to point out that debt gives governments *leverage* in purchasing badly needed equipment, services or real property. Depending on interest rates, debt (whether bonds or certificates of participation) has many times the buying power of cash – we're currently saying it's roughly 12 times, based on rates at the time this is written.

When the powers-that-be in your entity make the decision to borrow, keep the LOCAL program in mind. If you're getting this newsletter, you are familiar with LOCAL.

To begin the process of getting a LOCAL transaction going, contact any of the people from the Office of the State Treasurer listed in this newsletter.

Simple.

### Office of the State Treasurer

**Mailing address**  
P.O. Box 40200  
Olympia, WA 98504-0200  
(360) 902-9000 (main)

**Street address**  
416 14th Ave. S.W.  
Olympia, WA 98504-0200

### LOCAL Program Staff

**Allan J. Martin**  
Deputy Treasurer

**Sue Melvin**  
LOCAL equipment  
specialist  
(360) 902-9022  
melvins@tre.wa.gov

**Noah Crocker**  
LOCAL real estate  
specialist  
(360) 902-9020  
kristi@tre.wa.gov

**Pam Johnson**  
LOCAL specialist  
(360) 902-9021  
pam@tre.wa.gov

**Nancy Notter**  
LOCAL accounting  
(360) 902-9026  
nancyn@tre.wa.gov

[www.tre.wa.gov](http://www.tre.wa.gov)

## Journals of Lewis & Clark: Discovering 15 ways\* to spell 'mosquito'

by **Vicki Cox**

Office of the State Treasurer

David Nicandri, director of the Washington State Historical Society, spoke on the bicentennial celebration of the Lewis and Clark Expedition at the last LOCAL Advisory Group meeting.

Meriwether Lewis and William Clark led the Corps of Discovery expedition on an amazing two-year journey, over 8,000 miles, from St. Louis to the Pacific Ocean and back. In the spring of 1805, when the party ventured off to the Pacific, there were 33 members. The bicentennial is being commemorated from 2003 to 2006, marking two centuries since President Thomas Jefferson issued instructions to the explorers in 1803.

Written not only by Lewis and Clark, but by various other members of the expedition, the original journals were in dozens of ledgers, logs and notebooks (\* with inconsistent spelling). Those journals, as printed, constitute 13 volumes. Together these give an unusually thorough view of the adventure. The Corps reached Pacific County in November 1805. They started their return trip in March 1806, back along the Columbia and Snake Rivers. Because of the spring runoff, going uphill and against the current, the return trip was much more difficult. They decided to travel over land.

Nicandri described the conditions and hardships of walking along the ledges of the Columbia River Gorge, over rock and prickly pear cactus, with feet protected only by deer skins. The journals mentioned many problems with sore feet and legs, blisters and infections.

On April 27, 1806, the expedition had reached the Klickitat-Benton County line, where Clark wrote merely that "he directed Pvt. Hall to ride." Mention of that same incident in journals by other members of the Corps makes it clear that Clark gave up his own horse so Hall could ride. Nicandri said he found the incident

emblematic, and concluded the reason the expedition was so successful was because the leaders made sure no one was left behind and, as a consequence, the Corps shared a feeling of teamwork. Interestingly, Nicandri pointed out, Clark had disciplined (court-martialed) that same Pvt. Hall on two separate occasions before offering him his horse.

Dani Burton, Klickitat County Treasurer, asked what happened to Meriwether Lewis – murder or suicide? Nicandri said while there is no definite proof, currently the general consensus seems to be that he killed himself – it is believed he might have been bipolar (manic-depressive). Nicandri said he is not convinced of this, as he doubts Lewis would have been capable of leading the three-year expedition with that disorder. He said he thought it was more likely Lewis suffered from post-traumatic-stress syndrome.

If you're looking for additional information on the expedition, Nicandri recommends [www.lewisandclark200.org](http://www.lewisandclark200.org). The Washington Historical Society site is <http://www.washingtonhistory.org/wshm/lewisandclark/index.htm>. He also encouraged people to read Ken Burns's book, *Lewis & Clark Discovery* (<http://www.pbs.org/lewisandclark>) but said there are many other excellent books.

The Washington State History Museum, flagship of the Washington State Historical Society, presents exhibits, programs, and events that bring to life the stories of Washington's history. It is located at 1911 Pacific Avenue in Tacoma. For more information, including hours and admission rates, call 1-888-BE-THERE (1-888-238-4373), or visit the website, [www.washingtonhistory.org](http://www.washingtonhistory.org).

*David Nicandri grew up in New York, graduated from SUNY at Plattsburgh, received a master's degree in history from the University of Idaho and an honorary doctorate from Gonzaga University. He has written numerous books and articles, many on the Lewis and Clark expedition.*

## LOCAL Advisory Group

**The Hon. Judy Ainslie**  
Washington State Assn. of  
County Treasurers  
(360) 577-3059

**The Hon. Dani Burton**  
Washington State Assn. of  
County Treasurers  
(509) 776-4664

**The Hon. Thad Duvall**  
Washington State Assn. of  
County Auditors  
(509) 745-8527

**Roger Ferris**  
Fire Commissioners Assn.  
(360) 943-3880

**Stan Finkelstein**  
Assn. of Washington Cities  
(360) 753-4137

**The Hon. David Griffiths**  
Washington State Assn. of  
County Treasurers  
(509) 667-6405

**James Hendrickson**  
Washington Municipal  
Treasurers Assn.  
(360) 754-5855

**Fred High**  
Washington Association of  
School Business Officials  
(253) 373-7295

**William R. James**  
Washington Public Ports  
Association  
(360) 417-3423

**Alexandra Johnson**  
State Auditor's Office  
(360) 664-3149

**The Hon. Robert Lothspeich**  
Washington Association of  
County Officials  
(509) 397-6230

**Debbie Tarry**  
Washington Finance Officers  
Association  
(206) 546-1700

**The Hon. Ilene Thomson**  
Washington State Assn. of  
County Treasurers  
(509) 574-2800

## Quick fact

In the first nine months of 2005, LOCAL helped 32 local governments finance \$6.7 million in equipment and \$5.8 million in real estate projects for a total of over \$12.5 million.

## Come see us

LOCAL representatives will staff booths at these upcoming conferences:

**Washington Fire Commissioners Assn.**  
Oct. 20-22  
Spokane

**Infrastructure Assistance Coordinating Council**  
Nov. 8-10  
Wenatchee



The new city hall in Brier was financed through the LOCAL Program recently. For information about how you can finance real estate, contact any LOCAL representative listed in this newsletter.

## Bond Users Clearinghouse: A repository of public debt information

by **Liz Green-Taylor**  
Bond Users Clearinghouse Coordinator  
Dept. of Community, Trade and Economic Development

Are you a local jurisdiction official wanting information on trends in bond financing in Washington state? A finance industry professional looking for up-to-date information on recent bond issues? An individual planning to invest in Washington's communities? The Bond Users Clearinghouse (BUC) can help.

BUC provides information on local government bond issuances and outstanding general obligation (GO) debt. This information, available free of charge, is provided through five services:

- Debt issuance data, posted monthly in an Excel spreadsheet.
- *The Public Debt Bimonthly Update*, a newsletter published six times per year summarizing debt activity for the previous two months.
- *The Annual Public Debt Report*, usually published each spring, analyzes trends in state and local debt activity.
- *The GO Report*, published at the end of each year, presents the results of an annual survey of local jurisdictions, and analyzes

trends in levels of indebtedness.

- The public debt archives maintain copies of debt issue official statements and other materials, available by request.

You may access BUC publications three ways:

- Look up current and archived publications on our website at [www.cted.wa.gov](http://www.cted.wa.gov) (type "Bond Users Clearinghouse" in the Search box).
- Subscribe to our e-mail lists.
- Subscribe to hard copies via snail mail.

Subscription forms are available on our website, by e-mail request to [buc@cted.wa.gov](mailto:buc@cted.wa.gov), or by calling 360-725-5021.

If you are a local public jurisdiction official, you can help ensure current, accurate data by submitting your Bond 101 forms to BUC within 30 days of issuance and by timely responses to the GO survey and other BUC requests for information.

Questions? Contact Liz Green-Taylor at 360-725-5021.

## Annual LOCAL financing schedules

### Real estate

Cutoff	Funding date	First payment due
Jan. 1	Mid-March	June 1 (year of issue)
April 1	Mid-June	Dec. 1 (year of issue)
July 1	Mid-September	Dec. 1 (year of issue)
Oct. 1	Mid-December	June 1 (following year)

### Equipment

Cutoff	Funding date	First payment due
Feb. 1	Mid-March	June 1 (year of issue)
May 1	Mid-June	Dec. 1 (year of issue)
Aug. 1	Mid-September	Dec. 1 (year of issue)
Nov. 1	Mid-December	June 1 (following year)

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Office of the State Treasurer  
P.O. Box 40200  
Olympia, WA 98504-0200

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